

United States Senate

WASHINGTON, DC 20510

September 30, 2009

Mr. Gene Dodaro
Acting Comptroller General
U.S. Government Accountability Office
441 G St., NW
Washington, DC 20548

Dear Comptroller Dodaro:

As you know, neighborhoods in Ohio and every corner of the nation have been devastated by the ongoing foreclosure crisis. According to the latest quarterly data from the Mortgage Bankers Association, 8 percent of mortgages are 90 or more days delinquent or in the foreclosure process. Rising unemployment rates and declining home values are expected to push this percentage even higher. As a result, millions more Americans are at risk of losing their homes to foreclosure in the near future.

Additional foreclosures will add to an already large inventory of vacant properties. The Census Bureau estimates that, excluding vacation homes, there were more than 6 million empty properties for sale or rent nationwide as of June 2009. In many areas of the country, vacant properties are causing blight and pose a threat to neighborhood stability. When homes are left unattended, they invite looting, vandalism, and drug dealing. They also fall into disrepair, reducing the potential for resale and depressing the value of surrounding properties.

In a typical foreclosure, the lender assumes responsibility for the property once the foreclosure proceedings against the homeowner have been completed. The property is then put up for auction, with an opening bid set by the foreclosing lender. In the event that no one meets the opening bid, the lender takes title to the home and tries to resell it. Because the lender owns the property, it has an interest in maintaining the home's condition and negotiating for removal of any tax liens.

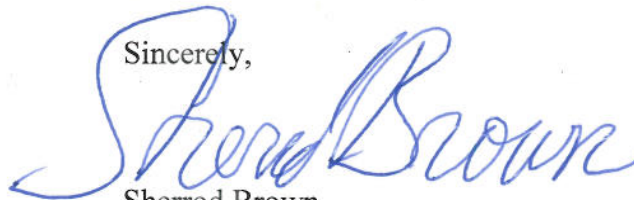
However, government officials and housing advocates in communities around the country are reporting instances where lenders refuse to take possession of foreclosed homes, purportedly because the associated costs—including legal fees and maintenance—exceed the value of the properties. As a result of these so-called “bank walkaways,” the homes are neither being sold at auction nor maintained by the lender. Instead, they remain vacant, become dilapidated, and contribute to neighborhood decline. Furthermore, the foreclosed homeowners are being saddled with back taxes and housing code violations on properties that they no longer live in but remain in their names. Additionally, the mounting liens and liabilities make it difficult to transfer the properties to other entities, such as nonprofit agencies or government land banks.

I am concerned that bank walkaways are exacerbating the problems that neighborhoods and homeowners are already facing as a result of the foreclosure crisis. I am also concerned that bank walkaways could complicate government efforts to help stabilize distressed neighborhoods through the acquisition, rehabilitation, and resale of foreclosed properties. Therefore, I respectfully request that GAO conduct a study addressing the following questions:

- What is known about the prevalence of bank walkaways, and why is this practice is occurring? What are the best available resources for tracking this problem on an ongoing basis?
- What are the potential implications of bank walkaways for neighborhoods and foreclosed homeowners?
- To what extent are bank walkaways affecting federal, state, and local efforts to mitigate the problem of foreclosed properties, and what additional steps could be taken to address the issue?
- For those properties which have been abandoned by the banks, what types of loans did the borrowers originally obtain?

In advance, I appreciate your prompt attention to this request. If you have any questions, please do not hesitate to contact Mr. Patrick Jackson of my staff at (202) 224-2315.

Sincerely,



Sherrod Brown
United States Senator